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C O N F I D E N T I A L SECTION 01 OF 04 NEW DELHI 000439

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TAGS: [MARR](#) [PGOV](#) [PREL](#) [ETRD](#) [IN](#)

SUBJECT: ACQUISITIONS DIRECTOR GENERAL SUGGESTS BELL
HELICOPTER OUT OF COMPETITION FOR ARMY HELO BID; MRCA BID
STILL PENDING; P-3 OUT OF MARITIME PATROL AIRCRAFT RUNNING

Classified By: DCM Geoffrey Pyatt for Reasons 1.4 (B, D)

11. (SBU) Contains proprietary information. Please protect accordingly

12. (SBU) Summary. Ministry of Defense Director General (Acquisitions) Banerjee told DCM that Bell Helicopter had been disqualified from the 197 Army helicopters competition, due to non-compliance with two essential parameter of the technical evaluation, leaving French manufacturer Eurocopter B350B3 as the sole remaining bidder. DCM immediately expressed disappointment at this shift in GOI signals, and followed up with the Foreign Ministry. However, subsequent to Banerjee's admission, Indian Army Major General Sehgal called the Office of Defense Cooperation to clarify that Banerjee's comments were the result of a preliminary, informal back brief, and that a final decision had not yet been reached. Banerjee also said the bid for the multi-billion dollar multi-role combat aircraft (MRCA) remains in bureaucratic channels at the Indian Air Force Headquarters and will not likely be released in the immediate future. Additionally, Banerjee stated that the P-3 would not be invited to field trials, eliminating it from competition for India's

maritime patrol aircraft procurement, leaving only the yet-to-be-built Boeing P-8I and Airbus 319. Mission plans a letter to MoD registering unhappiness with the handling of the Bell tender and taking issue with the technical points. End Summary.

Bell "Disqualification" Mired In Confusion

13. (SBU) In a January 25 meeting, MoD DG (Acquisition) Shilabhadra Banerjee told the DCM that Bell Helicopter's Bell 407 aircraft has been eliminated from competition for the Indian Army's purchase of 197 helicopters, having failed to comply with two "essential parameters" of the Request for Proposals (RFP) of 2004. Specifically -- according to Banerjee -- Bell did not demonstrate a hoist to the 160KG requirement nor a three-axis auto pilot by the time technical trials were to have concluded in September 2005. Banerjee said Army Headquarters had determined the previous week that technical trials could not be extended indefinitely, and that in the interest of fairness to bidders for this and other procurements who demonstrated compliance on time, Bell's bid was deemed non-compliant. The DCM noted that this was a shocking revelation, and asked if the GOI had informed Bell of this development. Banerjee said they would be telling Bell, adding that Bell had been informed since September 2005 that it was non-compliant, so such a decision should not come as a surprise to the company.

14. (SBU) However, on the evening of January 25, Indian Army

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acquisition rep Major General Sehgal phoned the Chief of the Office of Defense Cooperation (ODC) to inform the Embassy that what Banerjee meant to say was that he had received an informal back brief of the results of a preliminary report to the Technical Oversight Committee (TOC) that raised the three axis auto pilot and hoist issues but that a final decision had not yet been reached. He asked the Embassy not to take any action until a final decision had been reached by the TOC and approved by MoD. While the Embassy seeks further clarification, Bell Helicopter Textron sales representative Jay Ortiz has contacted the Embassy and provided letters to the GOI, beginning in Nov 05, that made seven offers to provide the requested demonstrations at no expense to the GOI. Bell is seeking Embassy support in arranging meetings with the GOI to provide Bell's side of the story.

MEA Signals Deal Is Done; Discourages "Politicization" Of Issue

15. (C) Equipped with the Bell data, on January 27, DCM spoke with Ministry of External Affairs (MEA) Joint Secretary (Americas) Gaitri Kumar, to register the Embassy's concern over a lack of transparency in this process, and asked Kumar to convey our concerns to Foreign Secretary Menon. On January 29, Kumar replied that she had spoken with both FS Menon and Banerjee, and reported that Banerjee's message was accurate, that indeed both Bell and Eurocopter had been evaluated and Bell was found to not have met technical specifications. Kumar said that while Major General Sehgal was correct that the TOC still needed to make the final, official decision, the Embassy should understand that Banerjee's message was accurate in that Bell has been deemed non-compliant.

16. (C) The DCM reiterated the concern that transparency is lacking in this decision, particularly given Bell's documented attempts to address the non-compliance issue. Kumar counseled us not to press this case to the political level, noting that reopening the case at this stage would be

seen as favoritism towards the U.S. vendor and could prejudice the U.S. campaign for other upcoming MoD tenders.

MRCA RFP: Not Before Aero India

¶7. (SBU) Banerjee also discussed the RFP for the multi-billion dollar MRCA bid, saying it is not expected to be issued prior to Aero India '07, which begins February

¶8. The draft RFP rests at Air Force Headquarters, Banerjee explained, and once it is approved there will need to go to the Defence Procurement Board, then up to the Minister of

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Defence for final approval. Banerjee said the GOI is being careful in drafting the RFP, since conditions cannot be changed after it is issued. He then mentioned he was awaiting a reply from the U.S. on GOI views of the US proposed response to the MRCA RFP and language for a potential End-Use Monitoring (EUM) agreement, adding he looked forward to discussing both issues with General Kohler during his visit in early February. Banerjee called EUM "a major issue that needs to be resolved." Banerjee requested an advance copy of the U.S. responses.

Lockheed P-3 Not Down-Selected For Maritime Patrol Bid

¶9. (SBU) Regarding the maritime patrol aircraft procurement, Banerjee confirmed what local U.S. industry had told the Embassy, that only Boeing (with its P-8I) and Airbus 319 had been invited to field trials, and that US Navy & Lockheed Martin and the P-3C had not been down-selected. ODC Chief pointed out the irony that of the three candidates for the maritime patrol aircraft contract, the only one with an actual plane in existence (the P-8I and Airbus models are still in development) was the one that was eliminated. Banerjee said that the Indian Navy feels certain that the P-8I and Airbus 319 planes will eventually be technically compliant, while the P-3C did not meet Services Qualitative Requirements (SQRs).

MMA RFP To Be Re-Issued; None Compliant With Original

¶7. (SBU) Finally, Banerjee said that no bid had been found compliant for the Multi-role Maritime Helicopter bid, for which the US Navy & Lockheed Martin had submitted a proposal for the H-60R and Sikorsky had submitted one for the H-70 and that the RFP will be retracted. A new RFP will be formulated with fresh conditions and the RFP tender will be re-issued.

COMMENT

¶8. (C) Comment: Whether Banerjee was ill informed or premature in disclosing a decision that was not ready to be made public yet, or if he was tipping the GOI's hand in advance to facilitate USG decision making, this is an ominous development for the Bell/Army helicopter bid. Post is working with Bell and following up with MoD to clarify Bell's well-documented case that it has addressed all essential and optional parameters for technical trials. Transparency is at issue here.

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Banerjee's assurances -- that "you win some, you lose some" and that other countries are disappointed, too, each time they lose a bid -- aside, losing this contract over a misunderstanding on technical trial compliance would be a real blow to American defense contractors here. It is particularly frustrating that this setback comes at the very moment when working to establish a two-way trust is seen as crucial to enhancing the otherwise blossoming mil-mil relationship.

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